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RECORD OF ORAL HEARING

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte MICHAEL A. KERESMAN III,
RAVISHANKAR BHAGAVATULA,
CHANDRA BALASUBRAMANIAN and FRANCIS M. SHERWIN

Appeal No. 2009-010020
Application No. 09/488,297
Technology Center 3690

Oral Hearing Held: January 7, 2010

Before HUBERT C. LORIN, ANTON W. FETTING, and
BIBHU R. MOHANTY, *Administrative Patent Judges*.

ON BEHALF OF THE APPELLANT:

PATRICK ROCHE, ESQUIRE
JOHN ZANGHI, ESQUIRE
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1 The above-entitled matter came on for hearing on Thursday, January
2 7, 2009, commencing at 2:30pm., at the U.S. Patent and Trademark Office,
3 600 Dulany Street, Alexandria, Virginia, before Paula Lowery, Notary
4 Public.

5 THE CLERK: Good morning. Calendar Number 11, Appeal No. 2009-
6 010020, Mr. Roche.

7 JUDGE LORIN: Good afternoon, Counsel. If you would introduce your
8 colleague, please?

9 MR. ROCHE: This is John Zanghi, my partner from Fay Sharpe.

10 JUDGE LORIN: Could you spell your name, please?

11 MR. ZANGHI: Z, as in zebra, a-n-g-h-I.

12 JUDGE LORIN: Welcome.

13 Counsel, we're familiar with the record. You have 20 minutes. When you're
14 ready, you may proceed.

15 MR. ROCHE: John Corneli, who was the attorney for this case for eight
16 years of its life, has left the firm.

17 The subject matter we're going to talk about today is E commerce. E
18 commerce is Internet purchasing of goods.

19 About 95 percent of the transactions that occur on the Internet for the
20 purchase of goods are unverified transactions.

21 About 5 percent are verified by Visa, Mastercard, secured cards. The
22 secured transactions are what we're talking about here today.

23 By the way, of the 95 percent, depending upon industry, about 1 1/2 to 3
24 percent are fraudulent transactions.

25 The assignee of the present application, Cardinal Commerce, is a company
26 in Mineral, Ohio. It employs about 55 people today. This application, as

1 you know, has been around quite a while. This was the first one filed by the
2 company.

3 Right now, Cardinal Commerce is the leading E commerce verifier in the
4 United States. If you purchased goods over Christmas time through Pay Pal
5 or verified by Visa, or a secured card Mastercard, they do use their software.

6 The subject invention -- we're talking about a commercial transaction that's
7 essentially involving four parts.

8 You have a buyer seeking to purchase goods over the Internet from a seller.
9 In this particular claimed system, you have a coordinator, and the money
10 coming to the seller from a funding source.

11 In an authentic transaction, you have a buyer, who is the owner and true user
12 of the card. You have a seller. His interest is he wants to get paid. The
13 coordinator here is the administrator, who is assuring the seller that he will
14 get paid; and the holder of the card is the true and authentic user.

15 The funding source, of course, has an interest in that the transaction is
16 legitimate and the money he is paying to the seller he will be able to bill the
17 buyer and get paid.

18 JUDGE MOHANTY: Excuse me. Could I get the four parties again? You
19 have the buyer, the seller, the third-party coordinator, and what is the fourth?

20 MR. ROCHE: The funding source. The issuing bank that issued the credit
21 card.

22 JUDGE MOHANTY: Okay.

23 MR. ROCHE: The issue on appeal is we have argued that the Examiner has
24 not made a prima facie case of obviousness by combining the entire
25 reference of Demoff with the teaching reference of Talati. I hope I got those
26 pronunciations close.

1 The primary reference Demoff -- well, let me back up. I said that in the E
2 commerce transactions there are two things that are primarily important to
3 make sure that all parties get paid, and the true buyer -- authentication and
4 authorization.

5 Authentication is identification of the true purchaser. Authorization is the
6 merchant's interest -- am I going to get paid. That authorization comes from
7 the funding source ultimately when it's communicated to the merchant.

8 One of the problems with this particular application, at least as far as the
9 Examiner is concerned from my perspective, is that the words that are used:
10 authentication, authorization, validation, secure transaction, are all used kind
11 of sloppily.

12 The industry has evolved to a little bit more unanimous consent about what
13 these words mean; but back in 1999 and 2000, it was a little unclear.

14 When we said authentication, we're talking about identification of the true
15 owner of the card using the card. When we say authorization, we're talking
16 about an authorization code going back to the seller saying I'm going to get
17 paid, I'm going to proceed with this transaction.

18 The cited references of Demoff and Talati -- unfortunately, Demoff really
19 has nothing to do with authorization. Talati primarily has nothing to do with
20 authorization. They're both authentication systems.

21 Authenticating that the buyer, the originator of the commercial transaction,
22 is the true owner of the card using the card. With the principal reference
23 though, we don't even want to use a card. The principal reference is a Qwest
24 patent.

25 They have an interest, I think, in enhancing the value of cell phones, so they

1 want to replace that credit card with this. This is a smart card treated as a
2 desk-top computer, but the bottom line, the whole purpose of issuing that
3 temporary credit card number through a cell phone is to not have the use of
4 this.

5 As the Appeal Brief and the Examiner's Answer and our Reply Brief clarify,
6 there was an agreement by the parties that the primary reference failed to
7 have a request from the seller back to -- in the -- the supplier. What is the --
8 JUDGE MOHANTY: Participating entity? Is that what you're referring to?

9 MR. ROCHE: No, not the participating entity. That would be the
10 equivalent -- yeah, the participating.

11 JUDGE MOHANTY: Yeah.

12 MR. ROCHE: The participating entity is the seller. It's Item 12 in the
13 reference -- the service provider, I'm sorry.

14 All right. The service provider wants to make sure that it's an authentic
15 buyer. So in that system the buyer finds what he wants to buy, what vendor
16 he wants to buy from.

17 He goes to the service provider and gets a temporary credit card number,
18 along with an ID that goes along with that transaction. The temporary ID
19 number is then communicated to the vendor, and the transaction is
20 completed.

21 The vendor never went back to the service provider to get an assurance that
22 this, in fact, was an authorized transaction.

23 So the Examiner went to Talati and said I have a system in which there is a
24 request going back to the service provider, and in the Talati reference it's
25 called either the transaction administrator, which is equivalent to our
26 coordinator, or it goes to a credit authority, which is not equivalent.

1 It's a funding source and one is an alternative embodiment. But the point
2 was there was, in fact, a communication going from the seller back to the
3 service provider.

4 We think that the combination doesn't create a *prima facie* case because the
5 purpose of the communication back is to circle back and say to the seller did
6 you, in fact, place this order? Essentially, is this the unique transaction ID
7 you used? Is this the originator ID you used? Is this the credit card that you
8 used?

9 Okay. There are different authentication systems. In Talati you're still using
10 the credit card. You're attaching some identifiers to it.

11 In Demoff you don't want to use a credit card any more. It's gone. You're
12 using a cell phone which will give you a temporary credit card number only
13 useful for that transaction. In effect, that is the unique transaction identifier.
14 There's a complete different purpose here for Talati, certainly back to the
15 seller, that Demoff seeks to avoid. You don't have to circle back because I'm
16 giving you a unique credit card number for this transaction. A one-time use
17 only that is the uniqueness of it. Why come back to me if I've already given
18 it to you?

19 That's the basic reason, we think, there is no *prima facie* case. There is no
20 motivation they would work together. We don't think there's a *prima facie*
21 case.

22 I would like to move on a little beyond that though. Unfortunately, this
23 application, as long as it's been prosecuted, has not gotten to the point really
24 right now of arguing the merits of the novelty of the application.

25 We think that, even if you combine these two references, you still don't have
26 the advantage that the application specifies. What we were trying to

1 accomplish with this application, and if you look at Figure 6B, which is
2 probably pretty close to the way a lot of transactions happen today, the
3 coordinator is contacted by the seller because he wants to be assured he's
4 going to get paid, right?

5 How does he know he's going to get paid? He has to have both
6 authentication and authorization. Yes, this is the true purchaser. Yes, the
7 purchaser has a funding source that will pay for the transaction.
8 So we've seen in our figure the coordinator has both of those functions in
9 that block -- authentication and authorization. It's important that the
10 authorization come from a third-party source.

11 By third party I should say fourth party. It's not the buyer, it's not the seller,
12 it's not the funding source. It's an independent source that communicates
13 with all three of these other entities. That way the buyer gets his assurance
14 that he is properly identified to the seller, and the seller is assured that he is
15 going to get paid.

16 The claims -- we didn't get this far with the Examiner, unfortunately but I
17 went to Mike Fleming's presentation. He said be sure to point out where the
18 Examiner has made an error.

19 We think that the steps recited in the claim identify that there has to be this
20 authentication process. There has to be this authorization process.
21 There has to be communication of completing the authentication and
22 authorization to the participating entity, the seller; and this is communicated
23 through the authorization code.

24 The primary reference Demoff, the Examiner has indicated that, yes, in fact
25 there's an authorization code communicated. If you'll turn to Figure 8 of that
26 reference --

1 JUDGE LORIN: Demoff?

2 MR. ROCHE: Demoff. He cites Item 310 as the authorization code. Bear
3 in mind the seller is seeking verification through authentication and
4 authorization, so before he completes the transaction because he's not going
5 to do it unless he's assured he's going to get paid.

6 The Examiner cites Element 310 as the authorization code in his brief and
7 final rejection. 310 is a sales receipt that 308, the seller, has been paid. He
8 doesn't need any authorization any more, all right?

9 In the system of Demoff, the ideal situation is the seller is a registered seller
10 to the service provider, and they can just transfer funds back and forth. They
11 don't even need a temporary credit card number.

12 In this particular situation, which is an overall process, the flow chart for
13 Demoff he doesn't need an authorization code prior to the payment. It just
14 happens the vendor is registered with him. So there is no communication of
15 the authorization code for the transaction to the participating entity in the
16 combination of the references.

17 The other thing Judge Fleming told us to do, he said be fair with the panel
18 and tell them about the weakness of your case. Talati shows an alternative
19 embodiment, and the Examiner cites to it in Column 6 where he says
20 authorization takes place, starting at line 44 going on to line 60, all right?

21 In that case the authorization is communicated to the seller from CA 60,
22 which is the credit authority. That's the funding source. It's not the
23 coordinator. In Talati's other embodiment, he has the TA, transaction
24 administer.

25 Again, our coordinator is the equivalent funding source, different from the
26 buyer, different from the seller. The transaction administrator is analogous

- 1 to our coordinator in Talati, but the CA, the credit authority, is not as a
- 2 funding source.
- 3 So, again, I would distinguish that by saying, yes, the credit authority does
- 4 give an authorization. Yes, we can cover the bill. Yes, seller, you will get
- 5 paid. But that's communicated by the issuer of the credit card.
- 6 Would you like me to go to the individual claims at all?
- 7 JUDGE LORIN: I don't know that's necessary, but I do have a question
- 8 about your system claims. As you know, a lot of cases are coming out of the
- 9 federal circuit involving means and functions claims. That's apparently what
- 10 you have here in Claim 41.
- 11 MR. ROCHE: Right.
- 12 JUDGE LORIN: My question to you is where is the algorithm for
- 13 authenticating? I notice in the specification you discuss a coordinator, and
- 14 that coordinator involves software. But I don't see in here any disclosure of
- 15 an algorithm associated with that software.
- 16 MR. ROCHE: I would point you to the figure for the authentication figure --
- 17 Figure 4 where the potential new account holder goes ahead and registers
- 18 with the coordinator.
- 19 After he is registered, then he can be authenticated by the coordinator. A
- 20 PIN number is used. It puts all his identification number, uses a security
- 21 code, you have a PIN number.
- 22 JUDGE LORIN: I'm on Figure 4. Are you referring to Element 202?
- 23 MR. ROCHE: 202? No.
- 24 JUDGE LORIN: In Figure 4?
- 25 MR. ROCHE: No, it would be 220.
- 26 JUDGE LORIN: 220, yeah, that's the coordinator.

1 MR. ROCHE: There's approval information going back and forth between
2 the coordinator and the new account holder, okay? It's not a difficult
3 process, it's just a registration process. Here's my identification information,
4 here's my bank account, and you just register with the coordinator.
5 You set up a Pay Pal account today, that's what you do.

6 JUDGE LORIN: I'm just asking your position because a lot of case law has
7 been coming out in this area.

8 MR. ROCHE: Yes, unfortunately, Judge Lorin, these claims were drafted in
9 2000. This case is old. It's prepublication of the application. A lot has
10 happened since the language was drafted. A lot has happened since the
11 Appeal was filed.

12 JUDGE LORIN: I understand, Counsel.

13 Do you have any further remarks?

14 MR. ROCHE: I don't think so.

15 JUDGE MOHANTY: I have one question. In your Brief you argued that
16 limitation in Claim 32 is not shown by one of the references and that there's
17 no *prima facie* case to put it together. That's the crux of your argument in
18 the Brief. That same claim limitation is not present in one of the
19 independent claims, Claim 32. I didn't see any other argument for Claim 32
20 specifically other than just the ones that were provided for Claim 23.

21 MR. ROCHE: 32, receiving a request indicating a buyer desires to carry on
22 a transaction with a participating entity. The buyer purchasing one or more
23 such items.

24 JUDGE MOHANTY: There's no requirement where that request comes
25 from.

26 MR. ROCHE: Yes, you are correct.

- 1 JUDGE MOHANTY: I just wanted to check.
- 2 MR. ROCHE: I didn't notice that.
- 3 JUDGE LORIN: Any other questions?
- 4 JUDGE MOHANTY: No.
- 5 JUDGE FETTING: No.
- 6 JUDGE LORIN: No further questions. Thank you, Counsel, we'll take your
- 7 comments under advisement.
- 8 Whereupon, the proceedings at 2:50 p.m. were concluded.